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COUNCIL ON WAGE AND PRICE STABILITY

Legislation to extend the life of the Council from 9/30/77 until 9/30/79 has been approved by the Senate Banking Committee. The bill (S.1542) is almost identical to a House measure (HR 6957) which was reported from the House Banking Committee in May.

The President has designated Council of Economic Advisers Chairman Charles Schultze as Chairman of the COWPS. Mr. Schultze replaces Treasury Secretary Blumenthal in line with the reorganization plan for the Executive Office of the President which places the Council under the direction of the Chairman of the CEA.

DEFENSE, DEPARTMENT OF

The Office of Federal Procurement Policy has been advised by DOD that OFPP Regulation 1, establishing a Federal Procurement Regulatory System, is not acceptable in its present form. While supporting the objectives of the proposed regulation, DOD expressed concern with three points: the authority of the Secretary of Defense; the involvement of OFPP in the procurement process; and the establishment of uniform regulations. A Defense spokesman stated that the present language is vague in the definition of OFPP's role and grants the Office almost unlimited authority to involve itself in procurement operations. In addition, DOD disagrees with the proposed method of implementation of uniform regulations in ASPR and FPR. Defense has recommended that a Federal Procurement Regulatory Board be established with DOD as the executive agency or that the responsibility for the preparation of certain regulatory areas, such as grants and Federal Supply Schedules, be assigned to GSA with DOD assuming responsibility for the remaining areas.

The 1976 edition of ASPR has been filed for publication in the Code of Federal Regulations rather than in the Fed. Reg. However, the Office of the Federal Register is offering free distribution of the ASPR volume to subscribers of the Fed. Reg. when it is printed. For more information, see the notice in the 8/3/77 Fed. Reg., pp. 39213-14.

ENERGY, DEPARTMENT OF

The House wrapped up the administration's energy conservation plan by passing HR 8444 on 8/5/77. The bill now goes to the Senate which plans to consider the measure in 3 parts beginning the week of 9/12/77 with S.977 covering coal conversion; the week of 9/19/77 with S.2469, the non-tax aspects of the bill; and the week of 9/26/77 with S.1472, the tax provisions.

The General Accounting Office has published "An Evaluation of the National Energy Plan" (7/25/77, EMD-77-48) which critiques the President's proposals, current legislation, and existing law. Copies may be obtained from the GAO Reports Department, 202/275-6241, for \$1.00 each.

FEDERAL ELECTION COMMISSION

"Campaign Guide for Nonelection Year", the seventh in the Commission's series of campaign guides, has been published. The guide serves as a supplement to earlier guides and addresses issues of special interest to federal candidates and committees in a nonelection year. The publication includes guidelines for determining the application of contribution limitations, reporting requirements, and special reporting requirements for candidates and committees involved in special elections. Copies of the guide may be obtained by calling 202/523-4068.

An "Index to the Federal Election Commission Regulations" has been published. The index was compiled to facilitate the use of Commission regulations (which became effective 4/13/77) and to simplify the location of specific subjects or sections of the regulations. It covers Parts 100 through 115 of the regulations, but does not include regulations on public financing. Copies of the index and the regulations may be obtained by calling 202/523-4068 or 800/424-9530 (toll-free).

FEDERAL POWER COMMISSION

A supplemental order with respect to the proceedings to amend the uniform system of accounts for public utilities and licenses and natural gas companies related to the use of the AFUDC formula appeared in the 8/5/77 Fed. Reg., pp. 39661-63. This supplemental order is issued in response to requests for rehearing, which the Commission has denied. This order explains the denial and clarifies one minor point related to the use of the AFUDC formula.

FEDERAL RESERVE BOARD

Financial reform legislation which would give the bank regulatory agencies more enforcement tools against financial institutions and their officers passed the Senate on 8/5/77 just before they adjourned for the summer recess. The bill (S.71) authorizes the agencies to issue cease and desist orders against individual bank officers or employees. An amendment was added on the floor of the Senate by Banking Committee Chairman Proxmire (D-WI) to restructure the National Credit Union Administration from a one-person administrator to a three-person board.

FEDERAL TRADE COMMISSION

An extension has been granted until 9/15/77 for the limited exemption from the new holder in due course rule (see 8/10/77 Fed. Reg., p. 40426). The exemption was originally granted for two-party open end credit contracts that were executed before 8/1/77, and do not involve the use of negotiable instruments or waivers of claims and defenses. Thus, the Rule will now apply to all consumer credit contracts taken or received by sellers after 9/14/77.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

The President has officially unveiled his welfare reform proposal which includes job opportunities for those needing work, a work benefit for those who work but whose incomes are inadequate to support their families, and income support for the disabled and needy. Portions of the proposal would abolish the current Aid for Families with Dependent Children, Supplemental Security Income, and Food Stamps programs, and replace them with a single cash assistance program. In addition, the earned income tax credit would be expanded to provide an income supplement of up to a maximum of over \$600 for a family of four.

House Speaker O'Neill (D-MA) announced that a Special Welfare Committee, chaired by Rep. Corman (D-CA), will be set up to lead the legislative work on the program. Hearings will begin in September and Mr. O'Neill has indicated that he wants the committee to stay through the recess between Thanksgiving and Christmas to mark up the legislation.

"Financing Social Security: Issues for the Short and Long Term" is a new background study issued by the Congressional Budget Office (CBO). The study is intended to provide Congress with options for closing the projected near-term and long-term deficits in the social security program. Because the study was prepared prior to

the Administration's proposal for refinancing the system, that approach is not considered in detail.

Another report entitled "Expenditures for Health Care: Federal Programs and Their Effects" has also recently been released by the CBO. The report found that further delays in containing health costs could produce severe proposals that would freeze prevailing health expenditure patterns. The report urges early adoption of health care expenditure controls to avoid adverse affects on the enactment of a comprehensive national health insurance program. Copies of both reports will soon be available from the GPO.

HOUSING AND URBAN DEVELOPMENT

Finalized regulations establishing the requirements for the issuance of mortgages to assist individuals and families in the purchase of corporate certificates covering dwelling units in cooperative housing developments appeared in the 8/10/77 Fed. Reg., pp. 40430-33. The regulations require corporations to furnish HUD with their most recent annual financial report certified to have been based on GAAP.

INTERSTATE COMMERCE COMMISSION

Dale Hardin, a member of the Commission since 1967, will resign his post on 8/31/77. His resignation will reduce the Commission to 8 members, leaving 3 slots vacant. However, because the President is attempting to cut the Commission down to 7 members, it is unknown whether a replacement will be named to serve the remaining 4 months of Mr. Hardin's term.

Proposed regulations for the establishment, Commission approval and administration of independent voting trusts appeared in the 8/3/77 Fed. Reg., pp. 39243-46. The regulations shall pertain to all carriers under ICC jurisdiction. A request to participate in these proceedings must be received by 8/18/77.

John A. Grady, CPA, Director of the Bureau of Accounts for the past 5 years, will leave the Commission on 9/1/77 to join a private firm. Mr. Grady has served the Commission for 9 years, and, according to Chairman O'Neal, has been instrumental in the achievement of numerous reforms in accounting and reporting regulations, audit and other oversight responsibilities. In addition, Mr. Grady has served in the past as a member of the FASB Advisory Council and the AICPA Advisory Committee for Industry and Government.

LABOR, DEPARTMENT OF

The Senate Finance Committee has approved and referred to the Human Resources Committee legislation to divide administration of ERISA into specific areas of jurisdiction between DOL and the IRS. The bill (S.901) gives IRS exclusive jurisdiction over all vesting, participation, and funding requirements, and authority to impose civil sanctions for violations of these rules. DOL would have exclusive jurisdiction of fiduciary standards and prohibited transactions, except in the case of employee stock ownership plans. The bill also would repeal the list of items under Section 103 of ERISA on information that must be included in the annual report, and instead would authorize DOL to require only that information necessary to carry out the bill's intent. Finally, the filing of a summary plan description every 5 years would be eliminated.

OFFICE OF MANAGEMENT AND BUDGET

A training course on FMC 74-7, Uniform Administrative Requirements for Grants-in-Aid to State and Local Government, will be offered at several locations around the country. The course will also cover proposed changes to the circular which will soon be reissued under its former designation, OMB A-102. The current schedule of course offerings is 8/22-8/23/77 - San Francisco, Federal Bldg., 450 Golden Gate Avenue; and 8/25-8/26/77 - Denver, Courthouse, 1929 Staut Street. The price will be \$115. To register, write to the Interagency Auditor Training Center, 8120 Woodmont Avenue, Bethesda, Maryland 20014.

SECURITIES AND EXCHANGE COMMISSION

A major review of the replacement cost accounting rule will be made early next year, but the rule will remain in effect until at least the end of this fiscal year (Rel. No. 33-5848, 8/11/77). Public comment is requested on specific problems companies have encountered in their efforts to comply with the new rule. No substantive changes to the rule are planned until after the general review is completed next year. Comments are requested by 10/14/77.

The effective date of the beneficial ownership disclosure requirements has been deferred from 8/31/77 to 4/30/78 (Rel. No. 33-5851, 8/10/77). The purpose of this action is to allow time for consideration of certain issues and requests for interpretative advice concerning the application of these new disclosure requirements and follows the Commission's receipt of numerous complaints from institutional investors that the requirements are too burdensome. The release notes that another release will be issued soon detailing precise issues upon which comments are requested.

SMALL BUSINESS ADMINISTRATION

The Senate has passed a bill establishing a new program to aid the growth of new and existing small business by providing assistance, interpretation analysis and counseling to small businesses on matters involving technology development, accounting, planning, personnel administration and other related business functions. The bill (S.972) is entitled the "Small Business Development Center Act of 1978" and authorizes SBA to make grants to universities and states to support the development and operation of small business development centers. These centers would be utilized by local businessmen for information and advice on how to manage their businesses. The bill has been referred to the House Small Business Committee where similar proposals have been introduced, but no action taken to date.

TREASURY, DEPARTMENT OF

A final interpretation of the statutory requirement that national banks deduct bad debts from net profits then on hand in order to compute funds available for the payment of dividends was published in the 8/8/77 Fed. Reg., pp. 39969-70. The purpose of the interpretation is to remedy certain recent confusion over what constitutes a bad debt with respect to real estate loans.

The GAO has recommended that IRS establish a separate office with sufficient independence and authority to develop security procedures and monitor day to day compliance with all facets of the security program at IRS facilities. The recommendation was contained in a report to the Joint Committee on Taxation entitled "IRS' Security Program Requires Improvement to Protect Confidentiality of Income Tax Information" (GGD-77-44) which found that IRS relies more heavily on the integrity of its employees than on strict enforcement of prescribed security measures. Copies of the GAO report may be obtained for \$1.00 each from the GAO, 202/275-6241.

Public hearings on proposed regulations relating to limitations on percentage depletion in the case of oil and gas wells will be held 8/31/77 at the IRS Auditorium, 7th Floor, IRS Building, 1111 Constitution Avenue, NW, Washington. For additional information call 202/566-3935.

SPECIAL: TREASURY SECRETARY BLUMENTHAL TO ADDRESS AICPA ANNUAL MEETING

Treasury Secretary W. Michael Blumenthal has accepted an invitation to address the AICPA Annual Meeting on Tuesday, September 20, 1977. The meeting, which will be held in Cincinnati on 9/18-20, will include a review of events in Washington during the past year and a look at 1978, as well as sessions on municipal accounting and auditing, energy, federal taxation, and a report on the Commission on Auditors' Responsibilities. For additional information, call the AICPA Meetings Department, 212/575-6451.

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